



Commonwealth of Kentucky Energy and Environment Cabinet

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Forests Contribute Over \$12 Billion to Kentucky's Economy

University of Kentucky announces findings of economic impact study

FRANKFORT, Ky. (Dec. 5, 2013) – During the 94th annual meeting of the Kentucky Farm Bureau Federation in Louisville today, Dr. Jeffrey W. Stringer, hardwood silviculture professor with the University of Kentucky's (UK) Department of Forestry, announced the findings from an economic impact study on the forest and wood industries' impact to Kentucky's economy.

The study was developed by UK's Departments of Forestry and Agricultural Economics and includes current marketing trends, timber prices and an economic outlook for 2014. According to the study results, Kentucky's forest industries:

- improved significantly in 2013 and most sectors and commodities performed better than expected;
- contributed an estimated \$7.9 billion, adding all indirect wood-related industries total \$12.8 billion to the state's economy in 2013;
- provided 59,306 jobs with 27,574 directly employed by the wood/paper and logging industries, for an increase over last year;
- increased in overall average log prices statewide by 11.4 percent compared to 2012;
- provided employment opportunities in 109 of the 120 counties;
- provided \$1.9 billion in estimated wages in 2013, an increase from \$1.25 billion in 2012; and,
- ranked in the top three nationally in hardwood production and ranked first in the South for sawlog and veneer production.

According to Dr. Stringer, Kentucky's forests remain largely in private hands (75 percent). While Kentucky's forests provide economic and environmental benefits, they continue to grow at a rate faster than they are being removed.

"Woodland owners and forest industries provided Kentucky with a significant source of revenue, estimated at \$7.9 billion distributed across the Commonwealth," said Dr. Stringer. "When spent throughout the economy it created more than \$12 billion in total impact. Since timber is grown in

every county, and wood industries exist in 109 counties, the forestry sector is important to both rural and urban economies. This revenue is also important to those agencies, industries, organizations and landowners who comprise the forestry sector. Many provided information and data used in the report, and the authors especially thank the Kentucky Division of Forestry and members of the Kentucky Forest Industry Association for their assistance.” .

Statewide averages show Kentucky’s forests are growing twice as much volume than is being harvested or lost to mortality annually. Timber prices of many species continue to fluctuate with some markets starting to stabilize, including the pulpwood, railroad tie and the stave markets.

The study forecasts an overall mixed outlook for 2014:

- Primary mills expecting increases in sales, pulp and paper remaining stable, and paper converters while experiencing losses should still outperform national figures for reductions in paper usage.
- Demand and prices for a number of important species including red oak are projected to increase.
- Housing starts indicate that yellow-poplar used in housing trim and cabinetry components will also maintain value and demand in 2014.
- Demand for sawlogs, tie logs, staves and pulpwood should also remain stable or increase.
- The wet weather in 2013 has log inventories low in a number of locations that will result in a seller’s market entering into 2014.
- The logging sector continues under stress due to the high cost of parts and fuel relative to delivered log and pulpwood prices; however, improvement in markets should help this sector.
- In general, projections are for improvement in most forestry sectors in 2014, including markets for timber.

The study included an input-output analysis of Kentucky’s forest products industry using Impact Analysis for Planning (IMPLAN®). Additional data were analyzed from a variety of government sources, including the U.S. Forest Service’s Forest Inventory and Analysis (FIA) and Timber Product Output (TPO) programs and the Division of Forestry’s Growing Gold quarterly marketing report.

“The Division of Forestry collects the data for the FIA and TPO programs that provides critical information on the overall health, species quantity, quality and distribution of trees across the state,” said Leah W. MacSwords, director of the Division of Forestry. “These data are important to Kentucky’s wood-using industries and essential to ensure that Kentucky’s forests continue to provide economic, environmental and social benefits to its citizens.”

"This report is the product of significant work and collaboration among our faculty and staff, our partners associated with the forestry sector in Kentucky, and our agriculture economics colleagues at UK," said Dr. Terrell Baker, chair of UK's Department of Forestry. "We expect it will be a valuable tool for those who own, manage, or utilize the Commonwealth's forest resources; it will also be a valuable tool for planning and policy development. We hope not only to offer this report annually, but also deepen the analyses in coming months and years to better understand a very important sector of Kentucky's economy,"

For more information, please contact the Kentucky Division of Forestry at 502-564-4496 or Dr. Stringer at 859-257-5994.

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